GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1568
ANSWERED ON:09.03.2007
HIKE VOLATILITY IN STOCK MARKET
Das Gupta Shri Gurudas

Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the prevailing high volatility in Stock Market;

(b) if so, the details and the reasons therefor; and

(c) the steps taken/being taken to control the uneconomic speculating transactions in the Stock Market?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) and (b): The volatility is inherent in any securities market. During the period April 2006 to January 2007, the SENSEX volatility ranged between 0.58 percent and 3.25 percent and the NIFTY volatility ranged between 0.61 percent and 3.22 percent. The movement of market indices or price of a specific share is a function of perceptions of the investors − domestic and overseas, retail and institutional − about the economy, the sector and the company. This perception is influenced by many factors including macro-economic environment, growth potential of the economy, corporate performance, domestic and international events, and market sentiments.

(c): SEBI is keeping a constant vigil on the market and has taken immediate action wherever warranted. Several scrips have been shifted to Trade to Trade segment to discourage abnormal day-trading and speculation. Circuit filters / price bands have been imposed on several scrips. SEBI has also been conducting regular and weekly meetings with Surveillance officials of the stock exchanges. The stock exchanges have been advised to step up their own surveillance measures and to initiate expeditious demonstrative action wherever warranted so as to protect investors' interest and ensure orderly functioning of the stock market.